PVR

Performance Highlights

Quarterly Performance (Consolidated)

(₹ cr)	3QFY13	3QFY12	% yoy	2QFY13	% qoq
Revenue	202	139	*45.0*	189	*6.8*
EBITDA	34	23	*49.2*	36	*(5.6)*
OPM (%)	*16.7*	*16.3*	*47bp*	*19.0*	*(220)bp*
Adj. PAT	9	9	*1.4*	16	*(43.3)*

Source: Company, Angel Research

For 3QFY2013, PVR posted an impressive top-line growth of 45% yoy to ₹202cr, beating our estimates, mainly on account of a robust 54% yoy growth its ticket sales to ₹121cr and 49% yoy growth in sale of food and beverages (F&B) to ₹38cr. Among other segments, advertising income grew by 23% yoy to ₹233cr and convenience fee grew by 63% yoy to ₹3cr. Although the OPM expanded by 47bp yoy to 16.7%, net profit came in flat yoy at ₹9cr due to rise in interest cost (on account of increase in debt to fund Cinemax' acquisition).

Robust ticket sales driven by higher footfalls and ATP:

PVR recorded a 9% yoy growth in footfalls to 6.9mn for comparable properties. Overall, footfalls grew by 38% yoy to 9.1mn aided by robust seat additions over the last few quarters. The average ticket price (ATP) grew by 13% yoy to ₹174. The healthy growth in footfalls and ATP led to a 45% yoy increase in ticket sales to ₹202cr.

Strong organic expansion set to continue

The acquisition of Cinemax and robust organic expansion (added 47 screens in 9MFY2013) has made PVR the largest multiplex operator in India with more than 350 screens. The robust organic expansion is set to continue with an addition of ~50 screens in the next six months and another 100 screens over the next 18 months.

Outlook and valuation: PVR is expected to register robust revenues on incremental earnings from its newly opened properties, cinemax acquisition and an impressive movie pipeline. At the CMP of ₹257, the stock is trading at 14.4x FY2014E EPS. We believe the stock is fairly valued and offers limited upside from the CMP. Hence, **we maintain a Neutral view on the stock.**

Key financials (Consolidated)

Y/E March (₹ cr)	FY2011	FY2012	FY2013E	FY2014E
Net sales	**459**	**509**	**820**	**1,307**
% chg	*37.5*	*10.8*	*61.3*	*59.4*
Net profit (Adj.)	**8**	**25**	**45**	**71**
% chg	*503.9*	*211.1*	*75.5*	*59.6*
EBITDA margin (%)	19.3	14.7	17.3	17.3
EPS (₹)	**3.0**	**9.8**	**11.1**	**17.8**
P/E (x)	85.3	26.1	23.0	14.4
P/BV (x)	2.0	2.3	1.6	1.5
RoE (%)	2.5	8.1	9.7	10.8
RoCE (%)	3.7	7.2	10.0	13.1
EV/Sales (x)	1.5	1.5	1.4	0.8
EV/EBITDA (x)	8.4	10.9	8.8	5.5

Source: Company, Angel Research

NEUTRAL

CMP	₹257
Target Price	-
Investment Period	-

Stock Info	
Sector	Media
Market Cap (₹ cr)	743
Net Debt (₹ cr)	587
Beta	0.7
52 Week High / Low	341/135
Avg. Daily Volume	48,448
Face Value (₹)	10
BSE Sensex	19,640
Nifty	5,959
Reuters Code	PVRL.BO
Bloomberg Code	PVRL@IN

Shareholding Pattern (%)	
Promoters	40.2
MF / Banks / Indian FIs	14.1
FII / NRIs / OCBs	11.0
Indian Public / Others	34.7

Abs. (%)	3m	1yr	3yr
Sensex	4.7	11.3	23.8
PVRL	9.4	78.7	49.0

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Exhibit 1: Quarterly Performance (Consolidated)

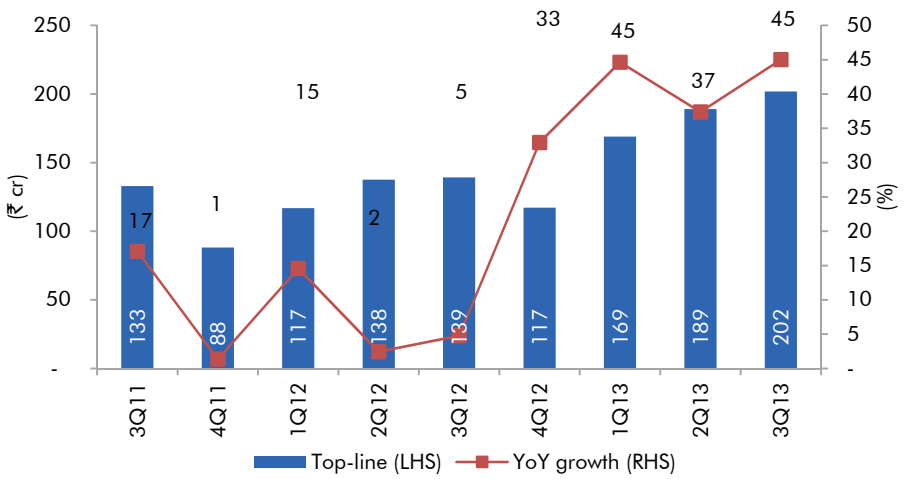
Y/E March (₹ cr)	3QFY13	3QFY12	% yoy	2QFY13	% qoq	9MFY13	9MFY12	% chg
Net Sales	**202**	**139**	**45.0**	**189**	**6.8**	**560**	**396**	**41.5**
Film Distributor Share	52	33	56.1	51	2.8	141	97	44.5
(% of Sales)	*25.8*	*23.9*		*26.8*		*25.1*	*24.6*	
Movie Dist/Print Chgs	3	3	2.7	3	-	17	12	44.6
(% of Sales)	*1.7*	*2.4*		*1.5*		*3.0*	*3.0*	
Consumption of F&B	14	9	49.9	13	2.4	39	26	50.5
(% of Sales)	*6.8*	*6.6*		*7.1*		*6.9*	*6.5*	
Staff costs	19	15	23.5	17	9.9	53	43	23.0
(% of Sales)	*9.3*	*10.9*		*9.0*		*9.4*	*10.8*	
Rent	30	19	59.6	26	17.7	78	51	54.6
(% of Sales)	*15.0*	*13.6*		*13.6*		*14.0*	*12.8*	
Other expenditure	50	37	36.4	44	14.6	129	95	36.3
(% of Sales)	*24.7*	*26.3*		*23.1*		*23.1*	*24.0*	
Total Expenditure	**168**	**117**	**44.2**	**153**	**9.7**	**456**	**323**	**41.3**
Operating Profit	**34**	**23**	**49.2**	**36**	**(5.6)**	**103**	**73**	**42.4**
OPM	*16.7*	*16.3*		*19.0*		*18.5*	*18.4*	
Interest	9	5	77.1	5	77.1	19	14	38.6
Depreciation	12	8	42.7	9	32.3	39	29	34.8
Other Income	2	4	(56.5)	2	(5.3)	4	9	(54.9)
PBT (excl. Ext Items)	**14**	**13**	**-**	**23**		**50**	**39**	**26.7**
Ext Income/(Expense)	0	0		0		0	12	
PBT	**14**	**13**	**11.8**	**23**	**(38.3)**	**50**	**52**	**(3.3)**
(% of Sales)	*7.2*	*9.3*		*12.4*		*8.9*	*13.0*	
Provision for Taxation	6	4	38.9	7	(23.6)	17	14	-
(% of PBT)	*38.5*	*31.0*		*31.1*		*34.1*	*27.1*	
Recurring PAT	**9**	**9**	**1.4**	**16**	**(43.3)**	**33**	**26**	
Minority Interest	0	0		(0)		(0)	1	
Reported PAT	**9**	**9**	**1.4**	**16**	**(43.3)**	**33**	**39**	**(15.2)**
PATM	*4.5*	*6.5*		*8.5*		*5.9*	*9.8*	
Equity shares (cr)	3	3		3		3	3	
FDEPS (₹)	**3**	**3**	**1.4**	**6**	**(49)**	**12**	**15**	**(16.6)**

Source: Company, Angel Research

Robust top-line growth

PVR posted an impressive top-line growth of 45% yoy to ₹202cr, beating our estimates, mainly on account of a robust 54% yoy growth its ticket sales to ₹121cr and 49% yoy growth in sale of F&B to ₹38cr. Among other segments, advertising income grew by 23% yoy to ₹233cr and convenience fee grew by 63% yoy to ₹3cr.

Exhibit 2: Top-line growth driven by higher footfalls and ATP



Source: Company, Angel Research

Operational Performance

PVR recorded a 9% yoy growth in footfalls to 6.9mn for comparable properties. Overall, footfalls grew by 38% yoy to 9.1mn aided by robust seat additions over the last few quarters. The average ticket price (ATP) grew by 13% yoy to ₹174. The healthy growth in footfalls and ATP led to a 45% yoy increase in ticket sales to ₹202cr.

Exhibit 3: Segmental revenue

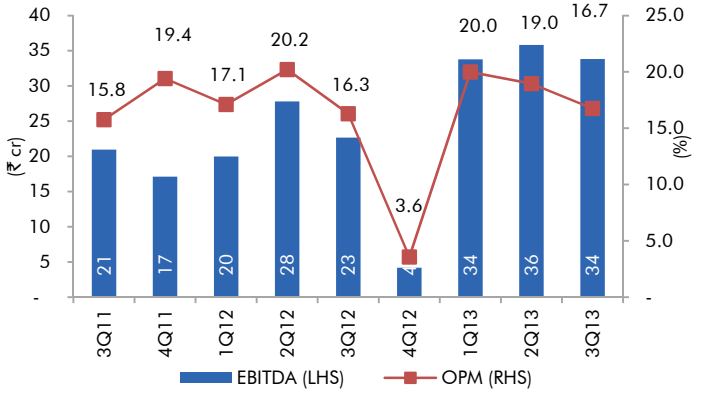
(₹ cr)	3QFY13	3QFY12	% yoy	2QFY13	% qoq
Segment Revenues					
Movie Exhibition	187.4	128.2	46.2	178.4	5.1
Movie Prodn and Dist	7.2	10.3	(29.7)	7.2	0.1
Bowling Alleys	10.0	5.5	83.3	8.7	14.8
Inter Segment	(2.2)	(2.6)	0.0	(2.2)	0.0
Total Income	**202.4**	**141.3**	**43.2**	**192.1**	**5.4**
Segment Results					
Movie Exhibition	26.9	16.1	67.0	26.4	2.0
Movie Prodn and Dist	-	0.5		1.2	
Bowling Alleys	(0.6)	(0.1)		0.4	
Inter Segment	(3.7)	(0.0)		(0.2)	
Total	**22.6**	**16.5**		**27.7**	
Finance Cost(Net)/Dividend	8.1	3.6	126.9	4.3	87.9
Exceptional Items	-	-		-	
Profit/(Loss) before tax	**14.5**	**12.9**	**12.0**	**23.4**	**(38.2)**

Source: Company, Angel Research

Higher interest cost is a drag on bottom-line

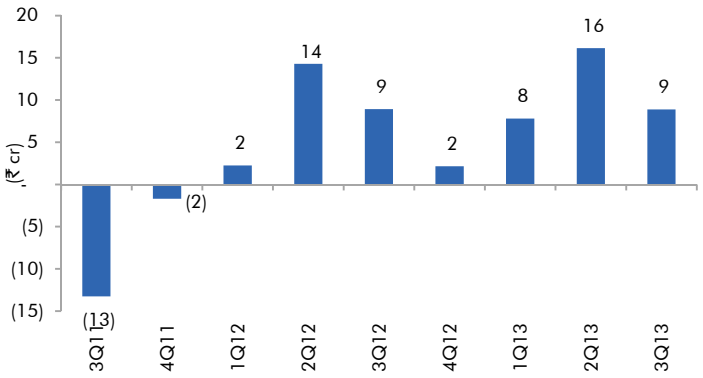
Although OPM expanded by 47bp yoy to 16.7%, net profit came in flat yoy at ₹9cr due to rise in interest cost (on account of increase in debt to fund Cinemax acquisition). Going forward, the interest cost is expected to be at these elevated levels for PVR as the company won't be able to reduce its debt (since it has robust expansion plans over the next 18 months).

Exhibit 4: OPM expands 47bp yoy



Source: Company, Angel Research

Exhibit 5: Net Profit growth flat yoy



Source: Company, Angel Research

Investment rationale

Cinemax acquisition to enhance scale and reach

The acquisition of Cinemax has made PVR the biggest player in the multiplex business with 350 plus screens. PVR already had a strong presence in the NCR region with ~94 screens (almost half of the total multiplex screens in NCR region). Post the acquisition, PVR has now established a strong presence in the Mumbai region (which contributes 15% to the box-office) with ~92 screens.

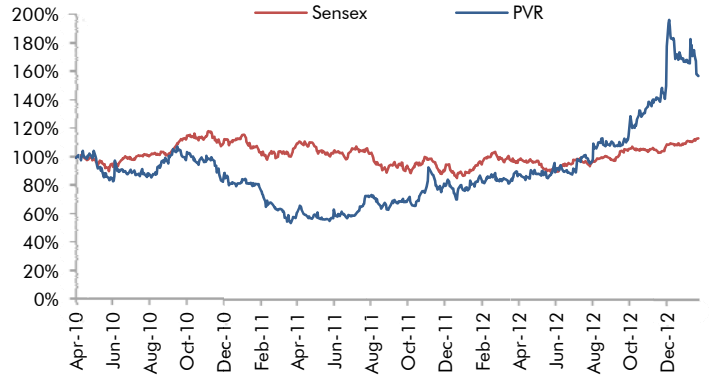
Although the deal has resulted in a significant increase in company's debt, thereby increasing the interest cost, the company is expected to benefit from the sheer scale and reach of the combined entity.

Set for expansion: PVR added 47 screens in 9MFY2013. The robust organic expansion is set to continue with an addition of ~50 screens in the next six months and another 100 screens over the next 18 months taking the total tally to 500 screens. PVR is expected to register robust revenues on incremental earnings from its newly opened properties, its recent foray into retail entertainment through *PVR Blu-O,* and an impressive movie pipeline.

Outlook and valuation

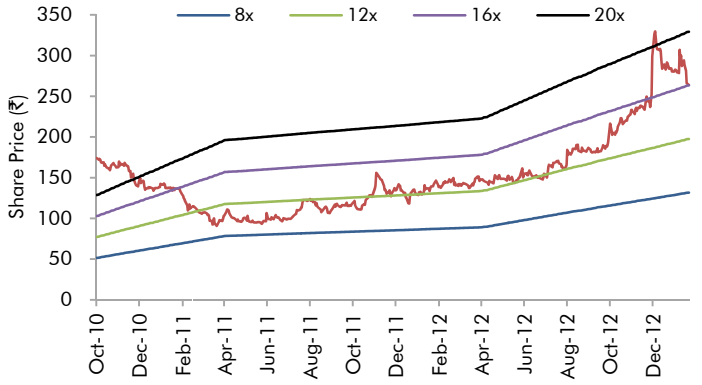
PVR is expected to register robust revenues on incremental earnings from its newly opened properties, cinemax acquisition and an impressive movie pipeline. At the CMP of ₹257, the stock is trading at 14.4x FY2014E EPS. We believe the stock is fairly valued and offers limited upside from the CMP. Hence, **we maintain a Neutral view on the stock.**

Exhibit 6: Return of PVR vs Sensex



Source: Company, Angel Research

Exhibit 7: One-year forward P/E band



Source: Company, Angel Research

Company Background

PVR is one of India's leading multiplex cinema operators. The company is the pioneer of the multiplex culture in the country, as it was the first to establish a multiplex cinema in India, PVR Anupam, in Saket, Delhi, in 1997. The company is also present in the entertainment space through PVR Blu-O bowling alleys.

Profit & loss statement (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Gross sales	**352**	**334**	**459**	**509**	**820**	**1,307**
Less: Excise duty	-	-	-	-	-	-
Net Sales	352	334	459	509	820	1,307
Total operating income	**352**	**334**	**459**	**509**	**820**	**1,307**
% chg	*32.4*	*(5.1)*	*37.5*	*10.8*	*61.3*	*59.4*
Total Expenditure	**305**	**300**	**371**	**434**	**679**	**1,081**
Direct Cost	134	119	156	174	287	419
SG&A Expenses	40	32	49	51	86	128
Personnel	38	42	47	56	82	144
Others	93	107	118	152	224	390
EBITDA	**47**	**34**	**89**	**75**	**142**	**226**
% chg	*(3.4)*	*(27.5)*	*159.0*	*(15.4)*	*88.8*	*59.8*
(% of Net Sales)	*13.4*	*10.2*	*19.3*	*14.7*	*17.3*	*17.3*
Depreciation& Amortisation	35	27	67	36	54	58
EBIT	**12**	**7**	**21**	**39**	**87**	**168**
% chg	*(62.6)*	*(43.0)*	*213.0*	*81.4*	*126.6*	*92.7*
(% of Net Sales)	*3.4*	*2.0*	*4.6*	*7.6*	*10.6*	*12.9*
Interest & other Charges	13	16	16	18	36	66
Other Income	12	10	11	13	13	8
(% of PBT)	*106.0*	*1,395.3*	*67.8*	*43.0*	*19.8*	*6.9*
Share in profit of Associates	-	-	-	-	-	-
Recurring PBT	**11**	**1**	**16**	**31**	**64**	**109**
% chg	*(66.8)*	*(93.6)*	*2,140.7*	*97.4*	*105.5*	*71.9*
Prior Period & Extra Exp/(Inc.)	*0.0*	*0.0*	*0.0*	*2.4*	*0.0*	*0.0*
PBT (reported)	**11**	**1**	**16**	**31**	**64**	**109**
Tax	3	(0)	15	6	19	38
(% of PBT)	*23.9*	*(14.6)*	*98.0*	*18.5*	*30.0*	*35.0*
PAT (reported)	**8**	**1**	**0**	**25**	**45**	**71**
Add: Share of earn of asso	-	-	-	-	-	-
Less: Minority interest (MI)	(0.4)	(0.5)	(7.9)	0.1	-	-
PAT after MI (reported)	**9**	**1**	**8**	**25**	**45**	**71**
ADJ. PAT	**9**	**1**	**8**	**25**	**45**	**71**
% chg	*(59.7)*	*(84.5)*	*503.9*	*207.9*	*77.3*	*59.6*
(% of Net Sales)	*2.5*	*0.4*	*1.8*	*4.9*	*5.4*	*5.4*
Basic EPS (₹)	**3.7**	**0.5**	**3.0**	**9.8**	**11.1**	**17.8**
Fully Diluted EPS (₹)	**3.7**	**0.5**	**3.0**	**9.8**	**11.1**	**17.8**
% chg	*(58.7)*	*(85.8)*	*469.9*	*226.1*	*13.6*	*59.6*

Note: Some of the figures from FY2011 onwards are reclassified; hence not comparable with previous year numbers

Balance sheet (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
SOURCES OF FUNDS						
Equity Share Capital	23	26	27	26	40	40
Preference Capital	-	-	-	-	-	-
Reserves& Surplus	246	283	314	260	597	641
Shareholders' Funds	**269**	**309**	**341**	**286**	**637**	**681**
Minority Interest	61	60	54	14	14	14
Total Loans	147	180	162	174	604	604
Deferred Tax Liability	16	17	31	11	11	11
Total Liabilities	**493**	**566**	**589**	**484**	**1,265**	**1,310**
APPLICATION OF FUNDS						
Net Block (incl CWIP)	**325**	**386**	**421**	**387**	**559**	**568**
Investments	**115**	**107**	**1**	**1**	**550**	**550**
Current Assets	116	132	234	224	315	398
Cash	8	21	79	21	16	23
Loans & Advances	86	93	119	167	231	267
Other	22	18	35	35	67	108
Current liabilities	63	59	67	128	158	207
Net Current Assets	**53**	**73**	**167**	**96**	**156**	**192**
Mis. Exp. not written off	0	0	0	0.89	-	-
Total Assets	**493**	**566**	**589**	**484**	**1,265**	**1,310**

Note: Some of the figures from FY2011 onwards are reclassified; hence not comparable with previous year numbers

Cash flow statement (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Profit before tax	11	1	16	31	64	109
Depreciation	35	27	67	36	54	58
Change in Working Capital	(3)	(7)	(24)	(1)	(68)	(13)
Interest / Dividend (Net)	5	11	11	14	32	62
Direct taxes paid	3	(0)	15	6	19	38
Others	(9)	(3)	(11)	(25)	3	(35)
Cash Flow from Operations	**36**	**29**	**44**	**50**	**66**	**143**
(Inc.)/ Dec. in Fixed Assets	(69)	(85)	(61)	14	(226)	(67)
(Inc.)/ Dec. in Investments	(85)	8	89	17	(549)	0
Cash Flow from Investing	**(154)**	**(77)**	**28**	**31**	**(775)**	**(67)**
Issue of Equity	113	41	20	(134)	314.10	-
Inc./(Dec.) in loans	12	33	(18)	12	430	0
Dividend Paid (Incl. Tax)	3	3	3	5	7	7
Interest / Dividend (Net)	10	11	11	14	32	62
Cash Flow from Financing	**112**	**60**	**(13)**	**(140)**	**706**	**(69)**
Inc./(Dec.) in Cash	(6)	12	58	(59)	(4)	7
Opening Cash balances	**15**	**8**	**21**	**79**	**20**	**16**
Closing Cash balances	**8**	**21**	**79**	**20**	**16**	**23**

Note: Some of the figures from FY2011 onwards are reclassified; hence not comparable with previous year numbers

Key ratios

Y/E March	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Valuation Ratio (x)						
P/E (on FDEPS)	68.9	486.0	85.3	26.1	23.0	14.4
P/CEPS	13.4	22.8	9.2	10.7	10.4	8.0
P/BV	2.2	2.1	2.0	2.3	1.6	1.5
Dividend yield (%)	0.4	0.4	0.4	0.6	0.6	0.6
EV/Sales	2.1	2.2	1.5	1.5	1.4	0.8
EV/EBITDA	17.0	24.1	8.4	10.9	8.8	5.5
EV / Total Assets	1.6	1.5	1.3	1.7	1.0	1.0
Per Share Data (₹)						
EPS (Basic)	3.7	0.5	3.0	9.8	11.1	17.8
EPS (fully diluted)	3.7	0.5	3.0	9.8	11.1	17.8
Cash EPS	19.1	11.2	27.8	23.9	24.7	32.3
DPS	1.0	1.0	1.1	1.5	1.5	1.5
Book Value	116.8	120.6	125.7	110.3	159.3	170.4
Dupont Analysis						
EBIT margin	3.4	2.0	4.6	7.6	10.6	12.9
Tax retention ratio	0.8	1.1	0.0	0.8	0.7	0.7
Asset turnover (x)	1.2	0.9	1.2	1.3	1.7	2.3
ROIC (Post-tax)	3.1	2.1	0.1	7.8	12.7	18.9
Cost of Debt (Post Tax)	0.1	0.1	0.1	0.1	0.1	0.1
Leverage (x)	0.3	0.1	0.2	0.4	0.7	0.9
Operating ROE	3.9	2.3	0.1	10.7	21.8	35.5
Returns (%)						
ROCE (Pre-tax)	2.8	1.3	3.7	7.2	10.0	13.1
Angel ROIC (Pre-tax)	3.2	1.5	4.2	8.3	7.0	13.1
ROE	3.6	0.5	2.5	8.1	9.7	10.8
Turnover ratios (x)						
Asset Turnover (Gross Block)	1.0	0.9	1.2	1.2	1.5	2.2
Inventory / Sales (days)	3	4	4	4	4	4
Receivables (days)	19	16	22	19	23	23
Payables (days)	61	59	44	77	59	49
WC cycle (ex-cash) (days)	46	57	121	62	62	47
Solvency ratios (x)						
Net debt to equity	0.1	0.2	0.2	0.5	0.9	0.9
Net debt to EBITDA	0.5	1.5	0.9	2.0	4.1	2.6
Int. Coverage (EBIT / Int.)	0.9	0.4	1.3	2.1	2.4	2.5

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1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Returns):	*Buy (> 15%)*	*Accumulate (5% to 15%)*	*Neutral (-5 to 5%)*
	Reduce (-5% to -15%)	Sell (< -15%)	